

Arizona Department of Insurance and Financial Institutions

Product Filing and Compliance Division

Insurer Notification of Book Transfer and/or Product Withdrawal

Introduction: The following are the general procedures for addressing an insurer's transfer of a book of business, and/or closing a book of business in the Arizona market..

Statutory References Relating to Specific Lines of Business:

For Personal Auto Programs (PAP), per [ARS §20-1631\(L\)](#), an insurer may transfer any of its policies to an affiliate insurer. However, an insurer may not transfer an insured based on the following discriminatory reasons: location of residence, age, race, color, religion, sex, or the national origin or ancestry of any insured. Additionally, insurers are not allowed another unrestricted sixty-day period for cancellation or nonrenewal. A transfer to an affiliate company is not considered a nonrenewal.

Pursuant to A.R.S. § 20-1631(K), an insurer may not, without the written consent of the insured, eliminate the basic coverages of the policy or reduce the monetary limits of any of the basic coverages of the policy that were selected and agreed on. Monetary limits include the limits of the basic coverages as well as the policy deductibles; hence, the limits and deductibles must remain the same. "Basic coverage" means any of the following:

1. Bodily injury coverage.
2. Property damage coverage.
3. Uninsured motorist coverage.
4. Underinsured motorist coverage.
5. Medical payments coverage.
6. Comprehensive coverage.
7. Collision coverage.

Furthermore, the policy provisions must be the same or better in the new company as they were in the original company.

We recognize that the transferring of policies may not be at the new policy's filed rate level. In order to address any compliance issue the following things would need to be addressed:

- Insurer's renewal "offer" includes all policyholders eligible for renewal.
- All policyholders receive an "Import Notice About Your Policy" letter explaining the reason behind the transfer and things that you want your policyholders to know about the company, its policy forms, endorsements, billing/payment plans and what the customer can expect, rating attributes, use of credit scoring, disclosure notices, etc.

- All policyholders receive a "Summary of Changes To Your Personal Auto Policy" Memorandum detailing what is changing on their policy (old v. new).
- Transferred policies will not be subject to a new unrestricted sixty day period for cancellation or nonrenewal pursuant to ARS § 20-1631(L).
- Rates charged will be the same or lower than the rates charged by the original insurer.
- Explanation of coverages that may be the same, more enhanced than what they had previously.
- Insurer honors all earlier signed exclusions, UM/UIM Coverage Selection/Rejection forms, etc.
- Insurer is to file a "transition rule" Rate/Rule filing explaining the premium/rating differences during the transition period and how the company intends on getting those premiums up to the filed rates. It may include some kind of "capping" (by X% each renewal cycle, for 2-3 cycles) to gradually bring the transferred book up to the filed rates. The rule must have specifics and a definite closing date, at which time the transitioned book is at par with the existing book.

For PAP, if the insurer is withdrawing a product, without transferring the book of business, [ARS §20-1631\(E\)](#) permits insurers to nonrenew policies. Insurers may not nonrenew a policy based on the following discriminatory reasons: location of residence, age, race, color, religion, sex, or the national origin or ancestry of any insured.

For personal lines real property products (per [ARS §§20-1653](#) and [20-1654](#)), personal property products, and legal liability products, an insurer may transfer any of its policies to an affiliate insurer. However, they may not transfer insureds based on discriminatory reasons, and they are not allowed another unrestricted sixty-day period for cancellation or nonrenewal. A transfer to an affiliate company is not considered a nonrenewal.

If the insurer is withdrawing a personal lines product, without transferring the book of business, for personal lines real property products (as per [ARS §§20-1653](#) and [20-1654](#)), personal property products, and personal legal liability products, insurers are permitted to nonrenew the policies. If the nonrenewal is based solely on the withdrawal of the product, notice would be required to be sent by the insurer.

For commercial products, per [ARS §20-1676\(B\)](#), a transfer between affiliated companies in the same group would not be a non-renewal and therefore the non-renewal notice from the current insurer would not be required. However, the insured must be made aware of cancellation/nonrenewal/transfer of the policy via a notice sent by the original insurer, advising of the transfer to an affiliate company and the particulars of that transfer.

If the insurer is withdrawing a commercial product, without transferring the book of business, for commercial products, the insurer is permitted to nonrenew the policies, in accordance with [ARS §20-1676](#).

Procedures and Filing Documentation Needed:

In the case of a book transfer, if the affiliate insurer, that is accepting the book transfer, does not have an existing rule to address the transfer of insureds, then the affiliate company will need to file any rates, rules and forms to be used.

The insurer transferring a book of business is to make a Rate/Rule filing to advise the Department that the book of business is to be transferred to an affiliate, provide the affiliate company's name, and also provide SERFF tracking numbers of the company's rate/rule filings (including any stabilization or rate capping rules), and form filings for those being renewed in an affiliate.

Included as a supporting document, a copy of the notice that will be sent to insureds regarding the pending book closure and opportunity to renew into an affiliate. The insurer should also include the name and size of the affiliate insurer's product(s) in which the insured would potentially be renewed into.

For commercial products, per [ARS §20-1677](#) any changes between the two policies would require notice to the insured. The transfer notice could suffice for both if applicable.

For personal auto products, per [ARS §20-163\(K\)](#), if any basic coverages will be added, modified, or eliminated by the transfer to the affiliate company's policy, the insurer is not permitted, without the written consent of the insured, to eliminate the basic coverages of the policy or to reduce the monetary limits of any of the basic coverages of the policy that were selected and agreed on. The insurer must advise the Department of any changes to the basic coverages under the statute.

Provide a cursory notice to the Department's Financial Affairs Division and the Consumers Division regarding the transfer and/or closing of the Insurer's book. The Financial Affairs Division would address any licensing questions for the company..

Procedures to Withdraw Forms, Rates, and Rules:

In the case of withdrawing a product, without transferring the book of business, insurers must send notices of nonrenewal to the policyholders within the required time frames below:

Personal Auto Program: Notice of intent to nonrenew must be sent in accordance with [ARS §20-1632](#).

Personal lines real property products, personal property products, and personal legal liability products: Notice of intent to nonrenew must be sent in accordance with [ARS §§20-1653](#) and [20-1654](#).

Commercial products: Notice of intent to nonrenew must be sent in accordance with [ARS §20-1676](#).

A Form filing must be filed in SERFF to withdraw all currently active Arizona forms associated with the product being closed. The effective dates of the filing would correlate to the expiration date of the last policy in the insurer's book.

A Rate/Rule filing must be filed in SERFF regarding the rates and rules that are to be withdrawn from use in Arizona. The Rate/Rule filing must provide information on the time frame, and number of policies being non-renewed. In the case of a transfer to an affiliate company, the insurer must provide the number of policies being offered renewal in the affiliate company, and any procedures for offering current insureds the opportunity to move their policy to the affiliate insurer.